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FISCAL IMPACT REPORT

SPONSOR: Smith DATE TYPED: 03/4/03 HB _____

SHORT TITLE: Use of Potable Water as Geothermal Resource SB 827

ANALYST: Valenzuela

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Office of the State Engineer
Energy, Minerals and Natural Resources Department

SUMMARY

Synopsis of Bill

Senate Bill 827 proposes a new section be added to the Geothermal Resources Conservation Act. The new section would exempt, from royalty payment, the incidental use of heat from potable water applied to beneficial use is not a geothermal resource and therefore does not give rise to an obligation to pay royalties.

Significant Issues

The State Land Office has two properties in Hidalgo county where it receives royalty payments for geothermal resources. The first is a fish production farm and the other is a rose greenhouse and farm. The royalty revenue from these operations approximates \$17.0, annually. EMNRD reports that the applicability of the bill to the facilities mentioned above would depend whether the use of the water for heat is considered incidental.

A second provision of the bill is that a non-geothermal use would be governed by Chapter 72 which deals with beneficial use and water rights generally. EMNRD reports the following issue with the bill:

To the extent that any facility would be removed from EMNRD jurisdiction by this bill, it is unclear by what law it would be governed and who would have jurisdiction over that facility's discharge permit under the Water Quality Act, and, if the facility employed a discharge plan involving injection, who would be responsible for insuring compliance with the Underground Injection Control (UIC) requirements under the federal Safe Drinking Water Act. A facility currently permitted by EMNRD/OCD might require a permit from the Environment Department, and the state's EPA-approved UIC program might need to be amended.

FISCAL IMPLICATIONS

Senate Bill 827 does not contain an appropriation. Depending on the applicability of the bill, the State Land Office may lose royalty revenue from its two properties in Hidalgo county.

MFV/lr